



## NEWS RELEASE

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Central District of California

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### **Former Senior Audit Partner at KPMG Charged With Insider Trading**

***Former Chief of KPMG's Audit Practice For The Pacific Southwest Received Cash Bribes For Passing Confidential Information About KPMG Clients That Led To More Than \$1 Million In Illegal Profits***

LOS ANGELES – A former senior partner from the accounting firm KPMG LLP, who oversaw KPMG's audit practice for the Pacific Southwest, was charged today for his involvement in an alleged insider trading scheme, announced United States Attorney André Birotte Jr., the United States Attorney for the Central District of California, and Bill L. Lewis, Assistant Director in Charge of the Federal Bureau of Investigation in Los Angeles.

Scott London, 50, of Agoura Hills, is charged in a federal complaint with one count of conspiracy to commit securities fraud through insider trading. The 24 page affidavit filed in support of the federal criminal complaint alleges that London provided confidential information about KPMG clients to Bryan Shaw, a close friend of his, over a period of several years and that Shaw used this information to make highly profitable securities trades that generated more than \$1 million dollars in illegal proceeds.

"The public has every right to fully expect a level playing field in our financial markets," said United States Attorney André Birotte Jr. "As alleged in the complaint, Mr. London chose to betray the trust placed in him as a financial auditor and to tip the trading scales for the benefit of insiders like himself."

"Mr. London's alleged activity paints a disturbing picture in which confidential information was compromised for personal greed at the expense of the investing public," said Bill L. Lewis, the Assistant Director in Charge of the FBI's Los Angeles

Field Office. "The FBI is committed to investigating allegations of insider trading and holding its beneficiaries accountable."

In a separate action today, the U.S. Securities and Exchange Commission (SEC) announced the filing of civil charges against London and Shaw.

According to the criminal complaint filed today:

London was a senior partner at KPMG who supervised more than 500 accounting professionals at the firm and personally handled audits for major KPMG clients, including Herbalife Ltd. and Skechers USA, Inc. As a result of his position, London had access to confidential information about KPMG's clients before that information was disclosed to the public.

From late 2010 and continuing until March 2013, London secretly passed highly sensitive and confidential information to Shaw regarding upcoming earnings announcements by certain KPMG clients, including Herbalife, Skechers, and Deckers Outdoor Corporation, before that financial information was disclosed to the public. On some occasions, London called Shaw two to three days before press releases were issued for KPMG clients and read confidential information from the draft releases to Shaw. London also disclosed to Shaw confidential information about impending mergers concerning KPMG clients before that information was made public. At times, London even discussed with Shaw how to structure Shaw's purchases of the stock in certain companies in order to protect them from being discovered.

In exchange for passing the confidential information about KPMG's clients, Shaw gave London tens of thousands of dollars in cash, typically arranging with London to meet him on a side street near Shaw's business in order to give him bags containing \$100 bills wrapped in \$10,000 bundles. Shaw also gave London a Rolex Daytona Cosmograph watch worth an estimated \$12,000, as well as jewelry and concert tickets, in exchange for the confidential information. Shaw profited more than \$1 million from illegal securities trades based on the confidential information given to him by London.

As part of the government's investigation of London's insider trading scheme, Shaw agreed to cooperate with federal authorities and recorded conversations with London. In recorded conversations, London told Shaw specific details about upcoming earnings announcements for Herbalife and another KPMG client, Deckers Outdoor

Corporation. In one call, London referenced rumors that had been spread about Herbalife going private, and told Shaw that if that took place, “[t]hat is going to be where you make a ton of money.” He suggested to Shaw that if London learned that Herbalife was going to go private, “what we oughta do is, when I know that it’s gonna start happening, what you do is you start just buying in small blocks, right, so it doesn’t draw attention and then, you know, then it doesn’t look unusual at all.”

On two occasions, acting at the direction of the Federal Bureau of Investigation, Shaw met with London and gave him cash as supposed payment for confidential information about KPMG clients. In the first instance, London met with Shaw on a street corner in Encino, California and accepted a bag with \$5,000 in cash as payment for confidential information about Herbalife’s earnings announcement in February 2013. London later met with Shaw in a parking lot in Woodland Hills, California and accepted another bag with \$5,000 in cash, which was supposedly London’s share of the illegal profits from trades based on confidential information about Decker’s February 2013 earnings announcement. In accepting the money, London told Shaw that they would have more opportunities to make money in the future. A surveillance photograph of London accepting one of these payments from Shaw is attached as an exhibit to the complaint.

London is expected to make his initial court appearance in United States District Court this afternoon at the Roybal Federal Courthouse in downtown Los Angeles.

The federal charge of conspiracy to commit securities fraud through insider trading carries a statutory maximum penalty of 5 years in prison, and a fine of \$250,000 or twice the gross gain or loss from the offense.

*A criminal complaint contains allegations that a defendant has committed a crime. Every defendant is presumed to be innocent until proven guilty in court.*

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The criminal investigation in this case is being conducted by the Federal Bureau of Investigation. United States Attorney Birotte praised the investigative work of the FBI and also thanked the SEC.

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